



Dikgatlong Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

Dikgatlong Local Municipality

(Registration number NC092)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity

Local municipality as defined in the Municipal Structures Act (Act no. 117 of 1998)

Nature of business and principal activities

Dikgatlong Local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996

Mayoral committee

Executive Mayor

DD Mbizeni

Councillors

MP Chupologo

AJ Mafofololo

MA Mahutie

E Makoko

T Saul

MM Bezuindenhou

PS Combrink

ME Kleinjan

MK Konote

DM Macinga

KE Motshabi

DP Papers

Grading of local authority

Category B Municipality as defined by the Municipal Structures, (Act no. 117 of 1998)

Accounting Officer

B Tsinyane (Acting since 7 February 2020)

AK Modise (Resigned 31 January 2020)

Chief Finance Officer

CB Mokeng (Acting since 8 December 2018)

LS Itumeleng (On special leave)

Registered office

33 Campbell Street

Barkly West

8375

Business address

33 Campbell Street

Barkly West

8375

Postal address

Private Bag X5

Barkly West

8375

Bankers

First National Bank

Auditors

The Auditor-General of South Africa

Attorneys

Matthews and Partners

Members of the audit committee

Mr T Mogoli (Chairperson)

Mr GR Botha (Member)

Mr T Mudamburi (Member)

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General Information

Enabling legislation

Municipal Finance Management Act (Act no. 56 of 2003)
Division Revenue Act
The Income Tax Act (Act no. 58 of 1962)
Value Added Tax Act (Act no. 89 of 1991)
Municipal Structures Act no. 117 of 1998)
Municipal Systems Act (Act 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 30 of 1966)
Unemployment Equity Act (Act no. 30 of 1966)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations Act, 2005
Disaster Management Act of 2016
Spatial Planning and Land Use Management Act (Act 16 of 2013)
Property Rates Act 6 of 2004

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COID	Compensation for Occupational Injuries and Diseases
DoRA	Division Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chattered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

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Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

B Tsinyane
Acting Accounting officer

Dikgatlong Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Dikgatlong municipal area and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 628 156 476 and that the municipality's total assets exceed its liabilities by R 628 156 476.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2020nd, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue its operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 46.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board as the prescribed framework by National Treasury, and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
AK Modise	South African	Resigned 31 January 2020
B Tsinyane	South African	Appointed 07 February 2020

7. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	348 674	383 767
Operating lease asset	4	35 264	16 813
Receivables from non-exchange transactions	5	22 426 215	20 430 767
VAT receivable	6	84 405 615	77 329 023
Receivables from exchange transactions	7	75 734 062	63 489 619
Cash and cash equivalents	8	7 725 434	4 074 610
		190 675 264	165 724 599
Non-Current Assets			
Investment property	9	46 912 272	47 096 538
Property, plant and equipment	10	630 628 782	637 959 820
Intangible assets	11	23 961	44 096
Heritage assets	12	12 222 699	12 222 699
Other financial assets	13	5 886	9 509
		689 793 600	697 332 662
Total Assets		880 468 864	863 057 261
Liabilities			
Current Liabilities			
Other financial liabilities	14	137 360	131 113
Payables from exchange transactions	15	234 160 599	176 237 788
Consumer deposits	16	574 614	572 737
Employee benefit obligation	17	722 000	370 000
Unspent conditional grants and receipts	18	1 662 399	3 862 398
		237 256 972	181 174 036
Non-Current Liabilities			
Other financial liabilities	14	909 492	1 032 508
Employee benefit obligation	17	5 450 000	5 140 000
Provisions	19	8 695 924	13 535 927
		15 055 416	19 708 435
Total Liabilities		252 312 388	200 882 471
Net Assets		628 156 476	662 174 790
Accumulated surplus		628 156 476	662 174 790

* See Note 43

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Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	48 946 971	44 555 453
Interest received (trading)		37 686 310	31 972 760
Commissions received	21	146 432	128 963
Rental income	21	614 141	327 014
Other income	22	209 422	358 968
Interest received - investment	23	695 040	817 827
Dividends received	23	-	724
Total revenue from exchange transactions		88 298 316	78 161 709
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	8 589 159	9 494 872
Transfer revenue			
Government grants & subsidies	26	119 507 735	112 764 011
Fines, Penalties and Forfeits	27	86 480	90 337
Total revenue from non-exchange transactions		128 183 374	122 349 220
Total revenue	25	216 481 690	200 510 929
Expenditure			
Employee related costs	28	(63 730 025)	(59 977 477)
Remuneration of councillors	29	(4 355 126)	(4 171 030)
Depreciation and amortisation	30	(25 447 256)	(26 246 759)
Finance costs	31	(13 016 082)	(12 684 557)
Lease rentals on operating lease	32	(1 328 136)	(559 318)
Debt Impairment	33	(62 876 525)	(53 406 689)
Bulk purchases	34	(40 967 922)	(35 357 432)
General Expenses	35	(33 868 203)	(32 089 303)
Total expenditure		(245 589 275)	(224 492 565)
Operating deficit			
Loss on disposal of assets and liabilities		(29 107 585)	(23 981 636)
Fair value adjustments		(730 430)	-
Actuarial gains/(losses)	17	(3 622)	-
(Impairment loss) Reversal of impairments	37	(151 797)	(865 604)
		(4 024 889)	40 034
Deficit for the year		(4 910 738)	(825 570)
		(34 018 323)	(24 807 206)

* See Note 43

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	686 981 996	686 981 996
Changes in net assets		
Surplus for the year	(24 807 206)	(24 807 206)
Total changes	(24 807 206)	(24 807 206)
Restated* Balance at 01 July 2019	662 174 799	662 174 799
Changes in net assets		
Surplus for the year	(34 018 323)	(34 018 323)
Total changes	(34 018 323)	(34 018 323)
Balance at 30 June 2020	628 156 476	628 156 476

Note(s)

* See Note 43

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		81 390 459	66 942 773
Grants		117 307 736	116 502 084
Interest income		38 381 350	32 790 587
		237 079 545	216 235 444
Payments			
Employee costs		(67 574 948)	(63 777 111)
Suppliers		(124 493 409)	(90 360 764)
Finance costs		(13 016 082)	(12 684 557)
		(205 084 439)	(166 822 432)
Net cash flows from operating activities	38	31 995 106	49 413 012
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(28 209 074)	(33 249 288)
Purchase of other intangible assets	11	-	(32 461)
Net cash flows from investing activities		(28 209 074)	(33 281 749)
Cash flows from financing activities			
Repayment of other financial liabilities		(116 769)	(111 237)
Finance lease movements		(18 439)	10 201
Net cash flows from financing activities		(135 208)	(101 036)
Net increase/(decrease) in cash and cash equivalents		3 650 824	16 030 227
Cash and cash equivalents at the beginning of the year		4 074 610	(11 955 617)
Cash and cash equivalents at the end of the year	8	7 725 434	4 074 610

* See Note 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	52 705 292	9 978 999	62 684 291	48 946 971	(13 737 320)	53, X1
Interest received (trading)	24 589 421	11 673 649	36 263 070	37 686 310	1 423 240	53, X2
Dividends received (trading)	750 000	-	750 000	-	(750 000)	53, X3
Commissions received	-	-	-	146 432	146 432	53, X4
Rental income	1 774 942	(1 189 002)	585 940	614 141	28 201	53, X5
Other income - (rollup)	482 775	(140 716)	342 059	209 422	(132 637)	53, X6
Interest received - investment	178 035	446 199	624 234	695 040	70 806	53, X7
Total revenue from exchange transactions	80 480 465	20 769 129	101 249 594	88 298 316	(12 951 278)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 467 378	(16 613 622)	9 853 756	8 589 159	(1 264 597)	53, X8
Licences and Permits (Non-exchange)	300 099	(152 924)	147 175	-	(147 175)	53, X9
Transfer revenue						
Government grants & subsidies	115 482 024	5 297 588	120 779 612	119 507 735	(1 271 877)	53, X10
Fines, Penalties and Forfeits	143 942	-	143 942	86 480	(57 462)	53, X11
Total revenue from non-exchange transactions	142 393 443	(11 468 958)	130 924 485	128 183 374	(2 741 111)	
Total revenue	222 873 908	9 300 171	232 174 079	216 481 690	(15 692 389)	
Expenditure						
Personnel	(66 454 798)	(366 367)	(66 821 165)	(63 730 025)	3 091 140	53, X12
Remuneration of councillors	(4 056 916)	(8 987)	(4 065 903)	(4 355 126)	(289 223)	53, X13
Depreciation and amortisation	(17 495 339)	-	(17 495 339)	(25 447 256)	(7 951 917)	53, X14
Impairment loss/ Reversal of impairments	-	-	-	(4 024 889)	(4 024 889)	53, X15
Finance costs	(108 523)	(65 151)	(173 674)	(13 016 082)	(12 842 408)	53, X16
Lease rentals on operating lease	-	-	-	(1 328 136)	(1 328 136)	53, X17
Debt Impairment	(37 794 907)	28 794 909	(8 999 998)	(62 876 525)	(53 876 527)	53, X18
Bulk purchases	(35 139 384)	3 000	(35 136 384)	(40 967 922)	(5 831 538)	53, X19
General Expenses	(35 286 210)	(8 757 293)	(44 043 503)	(33 868 203)	10 175 300	53, X20
Total expenditure	(196 336 077)	19 600 111	(176 735 966)	(249 614 164)	(72 878 198)	
Operating deficit	26 537 831	28 900 282	55 438 113	(33 132 474)	(88 570 587)	
Loss on disposal of assets and liabilities	-	-	-	(730 430)	(730 430)	
Fair value adjustments	-	-	-	(3 622)	(3 622)	53, X21
Actuarial gains/losses	-	-	-	(151 797)	(151 797)	53, X22
	-	-	-	(885 849)	(885 849)	
Deficit before taxation	26 537 831	28 900 282	55 438 113	(34 018 323)	(89 456 436)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	26 537 831	28 900 282	55 438 113	(34 018 323)	(89 456 436)	
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	36	1 800 493	1 800 529	348 674	(1 451 855)	53, X23
Operating lease asset	-	-	-	35 264	35 264	53, X24
Receivables from non-exchange transactions	60	39 383 126	39 383 186	22 426 215	(16 956 971)	53, X24
VAT receivable	-	-	-	158 585 449	158 585 449	53, X25
Consumer debtors	77 051 770	68 034 234	145 086 004	75 734 062	(69 351 942)	53, X26
Cash and cash equivalents	-	44 224 224	44 224 224	7 725 434	(36 498 790)	53, X27
	77 051 866	153 442 077	230 493 943	264 855 098	34 361 155	
Non-Current Assets						
Investment property	-	49 637 746	49 637 746	46 912 272	(2 725 474)	53, X28
Property, plant and equipment	23 194 575	635 532 178	658 726 753	630 628 782	(28 097 971)	53, X29
Intangible assets	-	35 794	35 794	23 961	(11 833)	53, X29
Heritage assets	-	12 183 752	12 183 752	12 222 699	38 947	53, X30
Other financial assets	12	9 497	9 509	5 886	(3 623)	53, X31
	23 194 587	697 398 967	720 593 554	689 793 600	(30 799 954)	
Total Assets		100 246 453	850 841 044	951 087 497	954 648 698	3 561 201
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	137 360	137 360	53, X32
Payables from exchange transactions	31 695 418	237 484 910	269 180 328	234 160 599	(35 019 729)	53, X33
VAT payable	-	-	-	74 179 834	74 179 834	53, X24
Consumer deposits	(12)	571 571	571 559	574 614	3 055	53, X34
Employee benefit obligation	-	-	-	722 000	722 000	53, X35
Unspent conditional grants and receipts	-	-	-	1 662 399	1 662 399	53, X36
	31 695 406	238 056 481	269 751 887	311 436 806	41 684 919	
Non-Current Liabilities						
Other financial liabilities	(6 231 112)	7 561 405	1 330 293	909 492	(420 801)	53, X37
Employee benefit obligation	-	4 349 000	4 349 000	5 450 000	1 101 000	53, X38
Provisions	-	15 370 641	15 370 641	8 695 924	(6 674 717)	53, X39
	(6 231 112)	27 281 046	21 049 934	15 055 416	(5 994 518)	
Total Liabilities		25 464 294	265 337 527	290 801 821	326 492 222	35 690 401
Net Assets		74 782 159	585 503 517	660 285 676	628 156 476	(32 129 200)
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	74 782 159	585 503 517	660 285 676	628 156 476	(32 129 200)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	26 467 378	(16 613 622)	9 853 756	-		9 853 756	8 589 159		(1 264 597)	87 %	32 %
Service charges	52 705 292	9 978 999	62 684 291	-		62 684 291	48 946 971		(13 737 320)	78 %	93 %
Investment revenue	24 767 456	12 119 848	36 887 304	-		36 887 304	695 040		(36 192 264)	2 %	3 %
Transfers recognised - operational	92 455 000	-	92 455 000	-		92 455 000	91 859 196		(595 804)	99 %	99 %
Other own revenue	3 451 758	(1 482 642)	1 969 116	-		1 969 116	38 811 207		36 842 091	1 971 %	1 124 %
Total revenue (excluding capital transfers and contributions)	199 846 884	4 002 583	203 849 467	-		203 849 467	188 901 573		(14 947 894)	93 %	95 %
Employee costs	(66 454 798)	(366 367)	(66 821 165)	-	-	(66 821 165)	(63 730 025)	-	3 091 140	95 %	96 %
Remuneration of councillors	(4 056 916)	(8 987)	(4 065 903)	-	-	(4 065 903)	(4 355 126)	-	(289 223)	107 %	107 %
Debt impairment	(37 794 907)	28 794 909	(8 999 998)			(8 999 998)	(62 876 525)	-	(53 876 527)	699 %	166 %
Depreciation and asset impairment	(17 495 339)	-	(17 495 339)			(17 495 339)	(29 472 145)	-	(11 976 806)	168 %	168 %
Finance charges	(108 523)	(65 151)	(173 674)	-	-	(173 674)	(13 016 082)	-	(12 842 408)	7 495 %	11 994 %
Materials and bulk purchases	(38 144 098)	740 124	(37 403 974)	-	-	(37 403 974)	(40 967 922)	-	(3 563 948)	110 %	107 %
Other expenditure	(32 281 496)	(9 494 417)	(41 775 913)	-	-	(41 775 913)	(36 150 610)	-	5 625 303	87 %	112 %
Total expenditure	(196 336 077)	19 600 111	(176 735 966)	-	-	(176 735 966)	(250 568 435)	-	(73 832 469)	142 %	128 %
Surplus/(Deficit)	3 510 807	23 602 694	27 113 501	-		27 113 501	(61 666 862)		(88 780 363)	(227)%	(1 756)%

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	23 027 024	5 297 588	28 324 612	-		28 324 612	27 648 539		(676 073)	98 %	120 %
Surplus (Deficit) after capital transfers and contributions	26 537 831	28 900 282	55 438 113	-		55 438 113	(34 018 323)		(89 456 436)	(61)%	(128)%
Surplus/(Deficit) for the year	26 537 831	28 900 282	55 438 113	-		55 438 113	(34 018 323)		(89 456 436)	(61)%	(128)%

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded off to nearest Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5. Property Plant and Equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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1.4 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs is the amount of cash or cash equivalent or fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	15 - 80 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation and impairment:

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

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1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	7 - 80 years
Landfill sites	Straight line	1 - 20 years
Other assets	Straight line	4 - 15 years
Community assets	Straight line	7 - 100 years
Infrastructure	Straight line	7 - 100 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 40. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement:

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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1.7 Intangible assets (continued)

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, on inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Application of deemed cost - Derivative 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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Accounting Policies

1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

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Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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1.12 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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1.15 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.15 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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Accounting Policies

1.15 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provision for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff bonuses accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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1.16 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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1.16 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

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Accounting Policies

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

1.26 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met and liability is recognised.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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Accounting Policies

1.29 Related parties (continued)

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Value added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% as at 1 April 2018 (2017: 14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

1.32 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality has adopted the guideline for the first time in the 2020/2019 annual financial statements.

The impact of the guideline is set out in note Changes in Accounting Policy.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2020/2020 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is set out in note Changes in Accounting Policy.

GRAP 109: Accounting by Principles and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is set out in note Changes in Accounting Policy.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;

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2. New standards and interpretations (continued)

- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, *inter alia*, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

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2. New standards and interpretations (continued)

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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2. New standards and interpretations (continued)

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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3. Inventories

Consumable stores	112 389	139 997
Water for distribution	236 285	243 770
	348 674	383 767

Inventory recognised as an expense during the year

Bulk water	9 099 768	8 226 035
Cleaning materials	196 065	52 418
Maintenance materials	55 310	1 509 473
	9 351 143	9 787 926

4. Operating lease asset (accrual)

Current assets	35 264	16 813
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The municipality recognises rental income on the straight-line basis over the lease term. This results in an equal impact in the financial performance in the reporting period regardless of the cash flows. Differences between the straight-line amounts and the cash flow amounts are recognised in the financial position as lease assets or lease liabilities.

5. Receivables from non-exchange transactions

Frances Baard District Municipality Operational Grant Receivable	590 600	128 644
Other receivables from non- exchange transactions	769 664	920 593
Deposits held	733 820	705 372
Property rates	20 332 131	18 676 158
	22 426 215	20 430 767

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end. The credit period granted is considered to be consistent with the terms used in the public sector, though established practices and legislation.

Rates

Current (0 -30 days)	1 204 677	1 157 087
31 - 60 days	1 134 368	1 102 130
61 - 90 days	1 074 715	1 054 864
91 days +	71 678 822	60 561 938
Less impairment	(54 760 451)	(45 199 861)
	20 332 131	18 676 158

Property rates by classification: consumers

Current (0 -30 days)	498 672	373 760
31 - 60 days	472 119	340 847
61 - 90 days	454 800	329 338
91 days +	25 691 589	21 364 978
Less impairment	(26 890 337)	(22 017 612)
	226 843	391 311

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5. Receivables from non-exchange transactions (continued)

Property rates by classification: Industrial / commercial

Current (0 -30 days)	501 347	618 211
31 - 60 days	469 571	600 007
61 - 90 days	436 963	564 882
91 days +	26 520 573	21 587 000
Less: Impairment	(27 870 117)	(23 182 250)
	58 337	187 850

Property rats by classification: National and Provincial

Current (0 -30 days)	204 658	165 116
31 - 60 days	192 678	161 276
61 - 90 days	182 952	160 645
91 days +	19 466 661	17 609 960
	20 046 949	18 096 997

Total

Current (0 -30 days)	1 204 677	1 157 087
31 - 60 days	1 134 368	1 102 130
61 - 90 days	1 074 715	1 054 864
91 days +	71 678 822	60 561 938
Less impairment	(54 760 451)	(45 199 861)
	20 332 131	18 676 158

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of receivables from non-exchange transactions

Property rates debtors are payable within 30 days. The credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of property rates debtors is not performed in terms of GRAP 104 on initial recognition.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 20 332 131 (2019: R 18 676 158) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current (0 -30 days)	262 606	243 487
31 - 60 days	226 647	205 480
61 - 90 days	186 900	170 006
91 days +	19 655 979	18 057 185

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5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 54 760 451 (2019: R 45 199 862) were impaired and provided for.

The ageing of these loans is as follows:

Current (0 -30 days)	942 070	913 600
30 - 60 days	907 722	896 650
61 - 90 days	887 815	884 858
91 days +	52 022 844	42 504 754

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(45 199 862)	(35 076 991)
Contributions (to) / from allowance	(9 560 589)	(10 122 871)
	(54 760 451)	(45 199 862)

6. VAT receivable

VAT	84 405 615	77 329 023
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7. Receivable from exchange transactions

Gross balances

Electricity	42 291 765	32 207 329
Water	209 745 166	172 188 102
Sewerage	35 243 505	29 704 668
Refuse	105 606 712	87 536 255
Sundry	50 339 645	48 032 670
	443 226 793	369 669 024

Less: Allowance for impairment

Electricity	(35 468 230)	(27 624 775)
Water	(179 256 833)	(147 377 312)
Sewerage	(22 564 059)	(18 913 037)
Refuse	(87 128 547)	(72 123 123)
Sundry	(43 075 062)	(40 141 158)
	(367 492 731)	(306 179 405)

Net balance

Electricity	6 823 535	4 582 554
Water	30 488 333	24 810 790
Sewerage	12 679 446	10 791 631
Refuse	18 478 165	15 413 132
Sundry	7 264 583	7 891 512
	75 734 062	63 489 619

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7. Receivable from exchange transactions (continued)

Electricity

Current (0 -30 days)	2 754 946	1 951 315
31 - 60 days	1 483 048	1 195 889
61 - 90 days	1 340 445	1 119 375
91 days +	36 713 326	27 940 750
Less: impairment	(35 468 230)	(27 624 775)
	6 823 535	4 582 554

Water

Current (0 -30 days)	5 095 672	3 213 662
31 - 60 days	3 181 951	2 883 118
61 - 90 days	3 170 787	2 875 742
91 days +	198 296 756	163 215 580
Less: impairment	(179 256 833)	(147 377 312)
	30 488 333	24 810 790

Sewerage

Current (0 -30 days)	491 953	446 317
31 - 60 days	488 925	489 341
61 - 90 days	486 025	455 380
91 days +	33 776 601	28 313 629
Less: impairment	(22 564 058)	(18 913 036)
	12 679 446	10 791 631

Refuse

Current (0 -30 days)	1 676 258	1 516 892
31 - 60 days	1 648 777	1 468 783
61 - 90 days	1 622 546	1 466 236
91 days +	100 659 130	83 084 345
Less: impairment	(87 128 546)	(72 123 124)
	18 478 165	15 413 132

Sundry

Current (0 -30 days)	276 049	294 093
31 - 60 days	275 989	289 889
61 - 90 days	275 246	281 699
91 days +	49 512 362	47 166 990
Less: impairment	(43 075 063)	(40 141 159)
	7 264 583	7 891 512

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	5 911 198	5 070 561
31 - 60 days	4 652 114	4 140 326
61 - 90 days	4 554 716	4 151 122
90 days +	312 354 548	263 507 750
	327 472 576	276 869 759
Less: Allowance for impairment	(325 676 153)	(275 003 425)
	1 796 423	1 866 334

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7. Receivable from exchange transactions (continued)

Industrial/ commercial

Current (0 -30 days)	2 737 309	1 215 175
31 - 60 days	1 180 673	1 035 234
61 - 90 days	1 107 631	964 312
91 days +	38 628 402	28 975 047
	43 654 015	32 189 768
Less: Allowance for impairment	(41 816 578)	(31 175 980)
	1 837 437	1 013 788

National and provincial government

Current (0 -30 days)	1 646 371	1 136 544
31 - 60 days	1 245 903	1 151 460
61 - 90 days	1 232 703	1 082 998
91 days +	67 975 225	57 238 495
	72 100 202	60 609 497

Total

Current (0 -30 days)	10 294 878	7 422 279
31 - 60 days	7 078 690	6 327 020
61 - 90 days	6 895 050	6 198 433
91 days +	418 958 175	349 721 292
	443 226 793	369 669 024
Less: Allowance for impairment	(367 492 731)	(306 179 405)
	75 734 062	63 489 619

Less: Allowance for impairment

91 days +	(367 492 731)	(306 179 405)
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Reconciliation of allowance for impairment

Balance at beginning of the year	(306 179 405)	(254 173 424)
Contributions to allowance	(61 313 326)	(52 005 981)
	(367 492 731)	(306 179 405)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 75 734 062 (2019: R 63 489 619) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current (0 - 30 days)	4 534 511	2 360 726
31 - 60 days	1 456 654	1 282 477
61 - 90 days	1 284 973	1 159 133
91 days +	68 457 924	58 687 283

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7. Receivable from exchange transactions (continued)

Receivables from exchange transactions impaired

As of 30 June 2020, receivables from exchange transactions of R 367 492 731 (2019: R 306 179 405) were impaired and provided for.

The ageing of amounts due and impaired is as follows:

Current (0 - 30 days)	5 760 367	5 061 554
31 - 60 days	5 622 036	5 044 544
61 - 90 days	5 610 077	5 039 298
91 days +	350 500 251	291 034 009

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 631 375	396 766
Short-term deposits	2 094 059	3 677 844
	7 725 434	4 074 610

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
First National Bank- Current Account (62022662468)	5 631 375	396 766	752 769	5 631 375	396 766	752 769
First National Bank- Call Account (62256156318)	706 601	1 163 415	90 672	706 601	1 163 415	90 672
First National Bank- Call Account (62279967643)	123 501	118 074	109 604	123 501	118 074	109 604
First National Bank- Call Account (62287817393)	437 104	2 098 259	312	437 104	2 098 259	312
First National Bank- Call Account (62345563911)	806 970	278 426	55 106	806 970	278 426	55 106
First National Bank- Call Account (62046158433)	-	-	89	-	-	89
First National Bank- Call Account (71045321107)	4 413	4 191	3 978	4 413	4 191	3 978
Standard Bank- Fixed Deposit Account (146018273)	15 470	15 479	16 281	15 470	15 479	16 281
Total	7 725 434	4 074 610	1 028 811	7 725 434	4 074 610	1 028 811

9. Investment property

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
			and accumulated impairment	
Investment property	47 769 208	(856 936)	46 912 272	47 769 208
				(672 670)
				47 096 538

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9. Investment property (continued)

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	47 096 538	(184 266)	46 912 272

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	47 280 797	(184 259)	47 096 538

Pledged as security

Carrying value of assets pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	26 502 917	(18 816 512)	7 686 405	26 502 917	(17 355 724)	9 147 193
Infrastructure	871 001 868	(292 135 944)	578 865 924	844 708 686	(271 646 455)	573 062 231
Community	76 745 485	(45 270 432)	31 475 053	76 745 485	(40 765 050)	35 980 435
Other property, plant and equipment	18 244 599	(13 140 318)	5 104 281	18 043 604	(11 994 371)	6 049 233
Landfill sites	11 488 312	(3 991 193)	7 497 119	17 022 250	(3 301 522)	13 720 728
Total	1 003 983 181	(373 354 399)	630 628 782	983 022 942	(345 063 122)	637 959 820

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	9 147 193	-	-	-	(854 561)	(606 227)	7 686 405
Infrastructure	573 062 231	28 008 079	(738 429)	-	(21 058 792)	(407 165)	578 865 924
Community	35 980 435	-	-	-	(1 580 194)	(2 925 188)	31 475 053
Other property, plant and equipment	6 049 233	200 995	-	-	(1 059 637)	(86 310)	5 104 281
Landfill sites	13 720 728	-	-	(5 533 935)	(689 674)	-	7 497 119
	637 959 820	28 209 074	(738 429)	(5 533 935)	(25 242 858)	(4 024 890)	630 628 782

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	10 001 752	-	-	(854 559)	-	9 147 193
Infrastructure	560 888 759	33 193 119	-	(21 019 647)	-	573 062 231
Community	37 560 629	-	-	(1 580 194)	-	35 980 435
Other property, plant and equipment	7 645 044	56 169	-	(1 560 836)	(91 144)	6 049 233
Landfill sites	17 525 950	-	(2 913 299)	(891 923)	-	13 720 728
	633 622 134	33 249 288	(2 913 299)	(25 907 159)	(91 144)	637 959 820

Pledged as security

Carrying value of assets pledged as security:

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2020

	Included within	Total
	Infrastructure	
Opening balance	109 762 781	109 762 781
Additions/capital expenditure	27 938 937	27 938 937
Transferred to completed items	(7 554 565)	(7 554 565)
	130 147 153	130 147 153

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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	76 659 721	76 659 721
Additions/capital expenditure	33 193 126	33 193 126
Transferred to completed items	(90 066)	(90 066)
	109 762 781	109 762 781

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	38 956	26 464
Electricity network	1 131 951	1 304 254
Furniture	-	1 230
Office equipment	25 039	27 028
Plant and machinery	32 503	19 233
Road network	2 405	-
Sewerage network	313 965	-
Transport assets	1 868 606	1 323 377
Water network	1 821 195	3 060 840
	5 234 620	5 762 426

Deemed cost

Deemed cost was determined using the depreciated replacement cost.

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11. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	303 361	(279 400)	23 961	303 361	(259 265)	44 096

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	44 096	(20 135)	23 961

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	35 794	32 461	(24 159)	44 096

Pledged as security

No intangible assets are pledged as security for any financial liability at year end.

Deemed cost

Deemed cost was determined using depreciated replacement cost

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12. Heritage assets

	2020		2019			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	12 222 699	-	12 222 699	12 222 699	-	12 222 699

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical buildings	12 222 699	12 222 699

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical buildings	12 222 699	12 222 699

Pledged as security

No heritage assets are pledged as security for any financial liability at year end.

Deemed costs

Deemed cost was determined using depreciated replacement cost

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13. Other financial assets		
Residual interest at cost		
Unlisted shares	5 886	9 509
Non-current assets		
Residual interest at cost	5 886	9 509
14. Other financial liabilities		
At amortised cost		
Long term loan	1 046 852	1 163 621
The long term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% and accrues monthly.		
Non-current liabilities		
At amortised cost	909 492	1 032 508
Current liabilities		
At amortised cost	137 360	131 113
15. Payables from exchange transactions		
Trade payables	176 643 808	134 166 724
Sundry creditors	18 205 401	6 031 608
Sundry control	3 155 621	816 883
Accrued leave pay	5 720 102	5 309 058
Accrued bonus	1 805 301	1 631 488
Cash suspense accounts	6 373 719	5 538 146
Retention	4 104 458	4 452 281
Department of transport safety and liaison	13 959 253	13 591 495
Payments received in advance	4 192 936	4 700 105
	234 160 599	176 237 788
16. Consumer deposits		
Electricity	574 614	572 737

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17. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(1 852 000)	(1 748 000)
Present value of the defined benefit obligation-partly or wholly funded	(4 320 000)	(3 762 000)
	(6 172 000)	(5 510 000)

Non-current liabilities

(5 450 000)

Current liabilities

(722 000)

(6 172 000)

(5 510 000)

Benefits

Post-retirement medical aid benefit	(1 648 000)	(1 621 000)
Long service awards	(3 802 000)	(3 519 000)
	(5 450 000)	(5 140 000)

Post retirement benefits

Post Retirement Medical Aid Benefit

Balance 1 July	1 748 000	941 000
Interest cost	164 000	88 000
Benefits paid during the year	(280 219)	(257 692)
Actuarial gains/(losses)	220 219	976 692
	1 852 000	1 748 000
Less: Transfer to current portion	(204 000)	(127 000)
	1 648 000	1 621 000

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members

Continuation members (Pensioners)	4	4
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The liability in respect of past service has been estimated to be as follows:

Liability

Continuation members (Pensioners)	1 852 000	1 748 000
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The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Fedhealth
- Samwumed

Key actuarial assumptions used:

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17. Employee benefit obligations (continued)

Discount rate CPI (Consumer Price Inflation)	Yield Curve Difference between nominal and yield curves CPI+1% Yield curve based	Yield Curve Difference between nominal and yield curves CPI+1% Yield curve based
Health Care Cost Inflation Rate Net Effective Discount Rate		

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements.

Normal retirement age:

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents:

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Sensitivity Analysis on the Accrued Liability:

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17. Employee benefit obligations (continued)

Assumption	Change	Change
Valuation Assumptions		1 852 000
Health care inflation	+1%	1 987 000
Health care inflation	-1%	1 731 000
Mortality rate	+20%	1 715 000
Mortality rate	-20%	2 025 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2020:

Assumption	Change	Current service	Interest Cost
Valuation Assumption		-	214 000
Health care inflation	+1%	-	231 000
Health care inflation	-1%	-	199 000
Mortality rate	+20%	-	197 000
Mortality rate	-20%	-	235 000

Long service award

Long service award			
Balance 1 July	3 762 000	3 332 000	
Current service cost	348 000	339 000	
Interest cost	376 000	331 000	
Benefits paid during the year	(97 578)	(128 912)	
Actuarial gains/(losses)	(68 422)	(111 088)	
Subtotal	4 320 000	3 762 000	
Less: Transfer to current portion	(518 000)	(243 000)	
Balance 30 June	3 802 000	3 519 000	

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible		
As at year end, the following number of employees were eligible for long service bonuses	176	177

Key actuarial assumptions used:

Discount rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	Difference between nominal and yield curves
Health Care Cost Inflation Rate	CPI+1%	CPI+1%
Net Effective Discount Rate	Yield curve based	Yield curve based

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

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17. Employee benefit obligations (continued)

We use the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Normal Salary Inflation Rate:

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2020 of 6.25%. The next salary increase was assumed to take place on 01 July 2021.

Average Retirement Age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements. The previous actuaries assumed that the average retirement for females is 55, and for males is 65.

Normal Retirement Age:

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Sensitivity Analysis on the Accrued liability:

Assumption	Change	Liability
Valuation assumptions		4 320 000
General salary inflation	+1%	4 578 000
General salary inflation	-1%	4 084 000
Withdrawal rate	+20%	4 140 000
Withdrawal rate	-20%	4 517 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2020:

Assumption	Change	Current service cost	Interest cost
Valuation Assumption		391 000	538 000
General salary inflation	+1%	418 000	571 000
General salary inflation	-1%	367 000	507 000
Withdrawal rate	+20%	370 000	514 000
Withdrawal rate	-20%	415 000	563 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2020.

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18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Disaster Relief Grant	119 000	-
RBIG and WSIG Grant	1	3 690 085
Municipal Infrastructure Grant	1 067 311	-
Intergrated National Electrification Grant	2 971	470
Library Grant	190 011	62 426
Local Government Sector Education and Training Authority (SETA)	283 105	109 417
	1 662 399	3 862 398

Movement during the year

Balance at the beginning of the year	3 862 398	124 023
Additions during the year	120 997 820	116 502 386
Income recognition during the year	(119 507 735)	(112 764 011)
Funds withheld	(3 690 084)	-
	1 662 399	3 862 398

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	13 535 927	693 935	(5 533 938)	8 695 924

Reconciliation of provisions - 2019

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	15 370 641	1 078 585	(2 913 299)	13 535 927

The municipality has landfill sites in Koopmansfontein, Delporthoop, Longlands, Barkly West and Windston. The provision per site is as follows:

Sites

Koopmansfontein	155 383	634 393
Delporthoop	1 700 538	3 518 734
Longlands	2 551 980	1 632 130
Barkly West	2 609 997	4 586 010
Windsor	1 678 026	3 164 660
	8 695 924	13 535 927

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19. Provisions (continued)

Environmental rehabilitation provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

20. Service charges

Sale of electricity	14 367 288	13 882 952
Sale of water	21 489 646	18 869 314
Sewerage and sanitation charges	3 047 662	3 493 685
Refuse removal	10 395 033	9 573 487
Indigent subsidies	(352 658)	(1 263 985)
	48 946 971	44 555 453

21. Other revenue

Commissions received	146 432	128 963
Rental income - third party	614 141	327 014
Other income	209 422	358 968
	969 995	814 945

22. Other income

Building plans	30 167	36 536
Clearence certificates	16 913	(2 426)
Sundry income	162 342	275 087
Reconnection fees	-	49 771
	209 422	358 968

23. Investment revenue

Dividend revenue

Unlisted financial assets - Local	-	724
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Interest revenue

Bank	695 040	817 827
	695 040	818 551

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24. Property rates

Rates received

Residential	6 515 922	5 106 916
Commercial	718 249	4 957 123
State	1 354 988	(569 167)
	8 589 159	9 494 872

Valuations

Residential	447 687 110	5 650 425 000
Commercial	39 466 700	91 900 000
State	30 803 100	31 103 000
Municipal	58 632 761	18 055 503
Small holdings and farms	61 351 600	574 892 000
	637 941 271	6 366 375 503

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2024.

25. Revenue

Service charges	48 946 971	44 555 453
Interest received (trading)	37 686 310	31 972 760
Commissions received	146 432	128 963
Rental income	614 141	327 014
Other income	209 422	358 968
Interest received - investment	695 040	817 827
Dividends received	-	724
Property rates	8 589 159	9 494 872
Government grants & subsidies	119 507 735	112 764 011
Fines, Penalties and Forfeits	86 480	90 337
	216 481 690	200 510 929

The amount included in revenue arising from exchanges of goods or services

are as follows:

Service charges	48 946 971	44 555 453
Interest received (trading)	37 686 310	31 972 760
Commissions received	146 432	128 963
Rental income	614 141	327 014
Other income	209 422	358 968
Interest received - investment	695 040	817 827
Dividends received	-	724
	88 298 316	78 161 709

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25. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	8 589 159	9 494 872
Transfer revenue		
Government grants & subsidies	119 507 735	112 764 011
Fines, Penalties and Forfeits	86 480	90 337
	128 183 374	122 349 220

26. Government grants and subsidies

Operating grants		
Equitable share	85 107 084	76 057 000
Finance Management Grant	2 880 000	2 415 000
Local Government Sector Education and Training Authority (SETA)	5 135	-
Frances Baard District Municipality Operational Grant	1 974 563	1 281 541
Expanded Public Works Program (EPWP)	1 000 000	1 084 000
National Treasury - Contribution to Audit Fees	-	491 443
Library Grant	892 414	681 597
	91 859 196	82 010 581
Capital grants		
Department of Water Affairs (WSIG)	-	3 820 782
Department of Water Affairs (RBIG)	-	11 224 118
Municipal Infrastructure Grant (MIG)	24 646 689	14 709 000
Integrated National Electrification Programme (INEP)	1 497 499	999 530
Frances Baard District Municipality Capital Grant	1 504 351	-
	27 648 539	30 753 430
	119 507 735	112 764 011

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34 400 651	36 707 011
Unconditional grants received	85 107 084	76 057 000
	119 507 735	112 764 011

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated to the municipality in terms of Section 214 of the Constitution (Act 108 of 1996) by National Treasury.

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26. Government grants and subsidies (continued)

Equitable Share

Current-year receipts	81 417 000	76 057 000
Conditions met - transferred to revenue	(85 107 084)	(76 057 000)
Transfer to Equitable Share withheld	3 690 084	-
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

Current-year receipts	2 880 000	2 415 000
Conditions met - transferred to revenue	(2 880 000)	(2 415 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Frances Baard District Municipality Grants (operational and capital)

Current-year receipts	3 478 914	1 281 541
Conditions met - transferred to revenue (operational grant)	(1 974 563)	(1 281 541)
Conditions met - transferred to revenue (capital grant)	(1 504 351)	-
	-	-

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Program (EPWP)

Current-year receipts	1 000 000	1 084 000
Conditions met - transferred to revenue	(1 000 000)	(1 084 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Municipal Disaster Relief Grant

Current-year receipts	119 000	-
	-	-

Conditions still to be met - remain liabilities (see note 18).

National Treasury - Contribution to Audit Fees

Current-year receipts	-	491 443
Conditions met - transferred to revenue	-	(491 443)
	-	-

Conditions still to be met - remain liabilities (see note 18).

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26. Government grants and subsidies (continued)

RBIG and WSIG Grant

Balance unspent at beginning of year	3 690 085	-
Current-year receipts (RBIG)	-	11 234 985
Conditions met - transferred to revenue (RBIG)	-	(11 224 118)
Current-year receipts (WSIG)	-	7 500 000
Conditions met - transferred to revenue (WSIG)	-	(3 820 782)
Transfer to Equitable Share withheld	(3 690 084)	-
	1	3 690 085

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

Current-year receipts	25 714 000	14 709 000
Conditions met - transferred to revenue	(24 646 689)	(14 709 000)
	1 067 311	-

Conditions still to be met - remain liabilities (see note 18).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	470	-
Current-year receipts	1 500 000	1 000 000
Conditions met - transferred to revenue	(1 497 499)	(999 530)
	2 971	470

Conditions still to be met - remain liabilities (see note 18).

Library Grant

Balance unspent at beginning of year	62 426	124 023
Current-year receipts	1 020 000	620 000
Conditions met - transferred to revenue	(892 415)	(681 597)
	190 011	62 426

Conditions still to be met - remain liabilities (see note 18).

Local Government Sector Education and Training Authority (SETA)

Balance unspent at beginning of year	109 417	109 417
Current-year receipts	178 823	-
Conditions met - transferred to revenue	(5 135)	-
	283 105	109 417

Conditions still to be met - remain liabilities (see note 18).

27. Fines, Penalties and Forfeits

Municipal traffic fines	-	10 100
Property Rates Penalties	86 480	80 237
	86 480	90 337

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28. Employee related costs		
Basic	42 473 447	41 359 307
Bonus	3 145 314	2 811 693
Medical aid - company contributions	4 129 782	3 795 159
UIF	350 629	353 028
SDL	504 995	474 772
Leave pay provision charge	690 427	652 192
Other short term costs	22 136	21 404
Pension	6 367 139	5 973 028
Travel, motor car, accommodation, subsistence and other allowances	766 784	699 847
Overtime payments	3 289 253	2 206 564
Long-service awards	348 000	339 000
Acting allowances	870 959	668 320
Housing benefits and allowances	54 466	43 959
Standby allowance	716 694	579 204
	63 730 025	59 977 477
Remuneration of municipal manager - AK Modise		
Annual Remuneration	863 030	1 205 887
Car Allowance	46 667	26 667
Contributions to UIF, Medical and Pension Funds	10 343	14 162
	920 040	1 246 716
Remuneration of chief financial officer - LS Itumeleng		
Annual Remuneration	890 330	897 767
Car Allowance	150 000	150 000
Contributions to UIF, Medical and Pension Funds	12 001	12 068
	1 052 331	1 059 835
Remuneration of acting chief financial officer - CB Mokeng		
Annual Remuneration	701 696	643 477
Housing Allowance	10 893	10 166
Acting allowance	59 756	15 644
Contributions to UIF, Medical and Pension Funds	178 612	163 586
	950 957	832 873
Remuneration of corporate services director - BH Tsinyane		
Annual Remuneration	974 285	945 949
Car Allowance	66 042	66 042
Acting allowance	26 205	-
Contributions to UIF, Medical and Pension Funds	12 431	11 878
	1 078 963	1 023 869
Remuneration of technical services director - PA Nthoba		
Annual Remuneration	1 030 347	967 463
Performance Bonuses	12 201	11 565
	1 042 548	979 028

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28. Employee related costs (continued)

Remuneration of acting technical services director - MZ Duba

Acting allowance	102 981	73 142
Contributions to UIF, Medical and Pension Funds	1 030	-
	104 011	73 142

29. Remuneration of councillors

Councillors	4 355 126	4 171 030
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30. Depreciation and amortisation

Property, plant and equipment	25 427 121	26 222 600
Intangible assets	20 135	24 159
	25 447 256	26 246 759

31. Finance costs

Landfill rehabilitation provision	693 935	1 078 585
Employee benefits	376 000	331 000
Trade and other payables	11 891 150	11 214 416
Current borrowings	54 997	60 556
	13 016 082	12 684 557

32. Lease rentals on operating lease

Equipment		
Contingent amounts	1 328 136	559 318

33. Debt impairment

Debt impairment	62 876 525	53 406 689
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34. Bulk purchases

Electricity	31 868 154	27 131 397
Water	9 099 768	8 226 035
	40 967 922	35 357 432

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35. General expenses		
Advertising	161 144	182 172
Auditors remuneration	2 518 163	3 080 432
Bank charges	1 018 154	949 343
Cleaning	196 065	52 418
Commission paid	27 000	-
Consulting and professional fees	1 030 474	788 674
Debt collection	11 218 320	10 870 955
Insurance	-	673 522
Conferences and seminars	65 603	28 841
Fuel and oil	1 567 348	1 443 614
Postage and courier	2 000	5 677
Printing and stationery	345 303	338 568
Protective clothing	1 427 966	112 806
Inventory, spares and materials consumed	5 173 479	5 762 426
Security (Guarding of municipal property)	3 609 475	3 405 536
Staff welfare	171 205	202
Subscriptions and membership fees	837 884	863 331
Telephone and fax	1 191 408	1 497 544
Training	218 514	2 820
Travel - local	1 061 883	635 898
Transport	9 500	-
Water purification costs	921 939	912 907
Other expenses	1 095 376	481 617
	33 868 203	32 089 303
36. Auditors' remuneration		
Fees	2 518 163	3 080 432
37. Impairment of assets		
Impairments		
Property, plant and equipment	4 024 889	(40 034)
38. Cash generated from operations		
Deficit	(34 018 323)	(24 807 206)
Adjustments for:		
Depreciation and amortisation	25 447 256	26 246 759
Gain on sale of assets and liabilities	738 430	-
Fair value adjustments	3 622	-
Impairment loss (reversal)	4 024 889	(40 034)
Debt impairment	62 876 525	53 406 689
Movements in retirement benefit assets and liabilities	662 000	1 237 000
Movements in provisions	693 932	1 078 586
Changes in working capital:		
Inventories	35 093	1 226 810
Consumer debtors	(75 120 968)	(65 541 005)
Other receivables from non-exchange transactions	(1 995 448)	(2 968 368)
Payables from exchange transactions	57 922 812	65 407 799
VAT	(7 076 592)	(9 589 351)
Unspent conditional grants and receipts	(2 199 999)	3 738 375
Consumer deposits	1 877	16 958
	31 995 106	49 413 012

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39. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	22 426 215	22 426 215
Receivables from exchange transactions	75 734 062	75 734 062
Cash and cash equivalents	7 725 434	7 725 434
Operating lease asset	35 264	35 264
	105 920 975	105 920 975

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 163 621	1 163 621
Payables from exchange transactions	234 160 599	234 160 599
Consumer deposits	574 614	574 614
Unspent conditional grants and receipts	1 662 399	1 662 399
	237 561 233	237 561 233

2019

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	20 430 767	20 430 767
Receivables from exchange transactions	63 489 619	63 489 619
Cash and cash equivalents	4 074 610	4 074 610
Operating lease asset	16 813	16 813
	88 011 809	88 011 809

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 046 852	1 046 852
Payables from exchange transactions	176 237 788	176 237 788
Consumer deposits	572 737	572 737
Unspent conditional grants and receipts	3 862 398	3 862 398
	181 719 775	181 719 775

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40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment

20 832 588 39 711 644

Total capital commitments

Already contracted for but not provided for

20 832 588 39 711 644

Total commitments

Total commitments

Authorised capital expenditure

20 832 588 39 711 644

This committed expenditure relates to property, plant and equipment and will be financed via government grants and subsidies.

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41. Contingencies

2020 Matters

Matter name	Description	Legal counsel's remarks	Amount
Dikgatlong Municipality / Engelsman Magabane Inc - Skillfull 1149 CC	Skillfull instituted an action in the Northern Cape High Court against Dikgatlong Municipality for breach of contract, in terms of interim payments not timeously honored by Dikgatlong Municipality, as well as a claim for damages suffered as a result of breach of contract.	This matter has been delayed due to the Plaintiff's inability to furnish his attorney with instructions. The Court is conducting pre-trials herein for case flow management, in order to have this matter finalized. We further want to approach the Honorable Court with an Application whereby the Plaintiff will be ordered to provide security costs: if they intend to pursue this matter further. N/A	R 7 661 329,42
Dikgatlong Municipality / Legal Aid on behalf of E Lebogang	A civil claim pending against Dikgatlong Municipality pertaining to a child, E Lebogang, that was electrocuted by an electric pole in the jurisdiction of the municipality.		R 300 000,00
Dikgatlong Municipality / Department of Water and Sanitation	The Plaintiff has committed to provide the defended (Dikgatlong) with Invoices of alleged services rendered in the municipality. This has not been provided as yet.	The Plaintiff is claiming for water charges from the 1st April 2002 to the 30 June 2016 from Client. The claim of this lumpsum amount has not been substantiated by the Plaintiff, no invoices were attached as supporting documents, as required by the Court. The Plaintiff must show that invoices were previously delivered to Client and the Client received the Invoices.	R 40 390 949,37
Dikgatlong Municipality / Barkly-Wes Slaghuis	Filed an interdict against the municipality to stop services from being disconnected.	Slaghuis brought an Application for an urgent interdict against the Municipality to prevent the Municipality from cutting its electricity based on monies owed. Slaghuis denies that they owe the Municipality. An engineer's report has been sought herein.	R 150 000,00
Dikgatlong Local Municipality / S. Hendricks	Claim to property dispute REF: DIK 076	Client is cited as the 5th Respondent in this matter. The Court thus requires that the Client keep abreast of the happenings in this case, the property which is the subject matter of this dispute within Client's jurisdiction.	R 15 000,00
Dikgatlong Municipality / Katrina Afrika	Katrina Afrika is suing the Municipality for damages allegedly suffered when she fell over cables that were allegedly left on the pavement by the municipality	We are currently defending this matter and processes are being exchanged between the parties in order to get the matter trial ready.	R 520 000
Dikgatlong Local Municipality / CM DE BRUYN	Mrs. De Bruyn made Application to the High Court during February 2018 for an order to compel the Municipality to reconnect her electricity supply for the following reasons.	She experienced problems with the electrical supply of her property since she moved in and the Municipality installed a test meter next to her current meter to investigate the problem	R 272 323,25
Dikgatlong Local Municipality / Eskom holding	Eskom filled a court claiming the amount of R55 963 649,22 to be paid by the municipality	Eskom brought an application for the municipality to settle a debt that is owed to Eskom.	R 55 963 649,22

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41. Contingencies (continued)

2019 Matters

Matter name	Description	Legal counsel's remarks	Amount
CM De Bruyn / Dikgatlong Municipality	Ms De Bruyn obtained an interim interdict against Dikgatlong Municipality for the reconnection of her electricity. We consulted with advocate and our instructions are to proceed with legal action.	The parties are attempting to find amicable solution outside of court on this matter. CM De Bruyn's engineer is considering the results of the voltage test.	N/A
Dikgatlong Municipality / Marange Plant & Mining CC	This was an application to review the Municipality's decision to award a tender to JTI CIVILS CC for roads and storm water drainage in Stillwater. This matter was heard in the Northern Cape High Court and an order against the Municipality and JTI Civils was granted.	The court ordered that the tender should not be granted to any entity and that this tender should go back to the bid adjudication committee of the Municipality for reconsideration. The bid committee decided that no one should be elected but the Municipality is considering the reissuing of the tender.	R 200 000
Dikgatlong Municipality / Barkly-Wes Slaghuis BK	The Municipality intended to disconnect Spar's services thus Spar brought an application to interdict the Municipality. This matter was finalised on condition that Spar pays its monthly accounts, the Municipality does not disconnect Spar's services and the Municipality pays Spar's legal costs.	This matter was removed from the court roll. Engineer's report sent to Spar's attorneys. Awaiting upon their response. Expecting an account from Spar's attorneys which has not been received to date. The parties are going to arbitration on this matter.	R 150 000
Dikgatlong Municipality / Skillful 1149 CC	Skillful brought a breach of contract and damages summons against the Municipality and the third party. The Municipality defended this action and the matter has been declared trial ready but Skillful does not appear to want to finalise this matter.	The parties are attempting to find amicable solution outside of court on this matter.	R 7 661 329
Dikgatlong Municipality / Minister of Water and Sanitation	Summons were issued against the Municipality for failure to pay water charges as mandated by law. The summons was defended by the Municipality. The Department of Water and Sanitation also served the Municipality with a notice of intention to suspend water supply.	The court process regarding the summons is ongoing and the Department of Water and Sanitation agreed to not suspend the supply of water.	R 40 390 949
Dikgatlong Municipality / Katrina Afrika	The Municipality is being sued for bodily injuries suffered by K Afrika. She is said to have tripped and fell over wires that were anchored in the ground on a pavement that is said to be maintained and controlled by the Municipality. The Municipality is defending this matter.	On 14 December 2017 the Municipality was informed that K Afrika had passed away. This matter is on the pre-trial stage and trial readiness certificate has not been issued.	R 520 000

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41. Contingencies (continued)

Contingent assets

2019 Matters

Matter name	Description	Status	Amount
Dikgatlong Municipality / Estate late: JJ Maree	Mr Maree used to work for the Dikgatlong Municipality and it is alleged that he defrauded the Municipality. His estate has been wound up and his heir wants to finalise the issue of the two erven in this estate that the Municipality has an interest in.	Awaiting a response from the Master's office in Free State. Erf 2006 is still in JJ Maree's name.	N/A

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42. Related parties

Relationships

Interest in relates parties

Services rendered to related parties

Councillors and / or management of the municipality
The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. Refer to note 45 where we have disclosed this information under the heading Councillors arrear consumer accounts.

Compensation of related parties

Compensation of key management personnel is set out in note

Compensation of related parties

Compensation of councillors is set out in note
The municipalities officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality:

Related party relationships

No business interest, shares and / or directorships held

Councillors

No business interest, shares and / or directorships held

Acting Municipal Manager

No business interest, shares and / or directorships held

Acting Chief Financial Officer

No business interest, shares and / or directorships held

Corporate Services Director

No business interest, shares and / or directorships held

Technical Services Director

No business interest, shares and / or directorships held

Related party balances

Provision for doubtful debts related to outstanding balances with related parties

MA Mahutie	-	18 492
E Makoko	85 287	72 006
T Saul	48 980	41 984
MM Bezuidenhout	25 887	23 214
PS Combrink	54 932	46 191
DM Macinga	8 122	6 627
KE Motshabi	19 687	27 773
DP Papers	36 494	45 921

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42. Related parties (continued)

Remuneration of management

Management class: Executive management

2020

Name	Acting allowance	Annual remuneration	Car allowance	Contribution of UIF, Medical and Pension funds	Other allowances	Total
Senior management	85 961	4 562 665	262 709	226 618	10 893	5 148 846

2019

Name	Acting allowance	Annual remuneration	Car allowance	Contribution of UIF, Medical and Pension funds	Other allowances	Total
Senior management	88 787	4 660 544	242 709	213 258	10 166	5 215 464

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43. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The correction of the error(s) results in adjustments as follows:

43.1. Prior period error - Understatement of impairment of Receivables from Exchange and Non-Exchange Transactions

During the period under review it was noted that the impairment raised against receivables from exchange and non-exchange transactions was misstated at 30 June 2019 due to the fact that the calculation was based on an incorrect debtors age analysis. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in receivables from exchange transactions	(56 768 534)
Decrease in receivables from non-exchange transactions	(11 241 763)
Increase in Vat receivable	39 936 444
Increase in accumulated surplus	(31 214 280)
	(59 288 133)

Statement of financial performance

Increase in debt impairment	59 288 133
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43.2. Prior period error - Incorrect treatment of Employee Benefit Obligation transactions

During the period under review it was noted that various movements in the employee benefit obligation were not correctly treated in the general ledger for the financial year ended 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase employee benefit obligation - post retirement medical aid benefit	(791 000)
Increase payables from exchange transactions	(257 692)
	(1 048 692)

Statement of financial performance

Decrease in employee related costs	210 088
Decrease in general expenses	(100 000)
Increase remuneration of councillors	73 000
Increase in actuarial (gains) and losses	865 604
	1 048 692

43.3. Prior period error

Prior period error - Understatement of Landfill Rehabilitation Provision

During the period under review it was noted that the landfill rehabilitation provision was misstated as the general ledger was not updated with the movements as determined in the Engineer's report at 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in provisions	1 834 714
Decrease in property, plant and equipment	(2 913 299)
	(1 078 585)

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43. Prior period errors (continued)

Statement of financial performance

Increase in finance costs

1 708 585

43.4. Prior period error - Overstatement of Finance Lease liabilities

During the period under review it was noted that an operating lease contract was incorrectly treated as a finance lease at 30 June 2018 and 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in finance lease liability

35 676

Increase in accumulated surplus

(59 491)

(23 815)

Statement of financial performance

Increase in finance costs

(4 877)

Increase in general expenditure

28 692

23 815

43.5. Prior period error - Overstatement of payables from exchange transactions

During the period under review it was noted that payables from exchange transactions were overstated due to trade creditors closing balance at 30 June 2018 incorrectly state due to a proper creditors reconciliation not being performed. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in payables from exchange transactions

6 257 497

Decrease in VAT receivable

(2 236 982)

Increase in accumulated surplus

(3 313 986)

706 529

Statement of financial performance

Decrease in bulk purchases

(5 681 725)

Increase in finance costs

3 289 490

Increase in general expenses

2 227 872

Increase in government grants and subsidies

(491 443)

Increase in other income

(50 723)

(706 529)

43.6. Prior period error - Understatement of receivables from non- exchange transactions

During the period under review it was noted that receivables from non-exchange transactions were understated due Eskom security deposits held not being recorded in the municipality records. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below

Statement of financial position

Increase in receivables from non-exchange transactions

705 372

Increase in accumulated surplus

(674 990)

30 382

Statement of financial performance

Increase in interest earned

(30 382)

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43. Prior period errors (continued)

43.7. Prior period error - Understatement of payables from exchange transactions

During the period under review it was noted that payables from exchange transactions were understated due to error during integration of the payroll into the GL. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in payables from exchange transactions	(10 471)
Statement of financial performance	
Increase in employee related costs	3 898
Increase in councilors remuneration	6 573
	10 471

43.8. Prior period error - Misstatement of receivables from exchange and non-exchange transactions

During the period under review it was noted that receivables from exchange and non-exchange transactions was misstated at 30 June 2019 due to the fact that unbilled revenue was not accounted for at 30 June 2019 and an accrual for unbilled revenue from 2018 was not reversed in the accounting records at 30 June 2019. Furthermore debtor's in credit at 30 June 2019 were not reallocated to payables from exchange transactions at 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in receivables from exchange transactions	434 210
Increase in receivables from non-exchange transactions	2 135 005
Increase in payables from exchange transactions	(453 158)
Increase Vat receivable	89 922
Increase accumulated surplus	(2 395 066)
	(189 087)
Statement of financial performance	
Decrease in revenue from exchange transactions	1 417 812
Increase in revenue from non-exchange transactions	(1 228 725)
	189 087

43.9. Prior period error - Misstatement of cash and cash equivalents short-term deposits

During the period under review it was noted that short-term deposits which is disclosed under cash and cash equivalents was misstated at 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in cash and cash equivalents	(26 219 088)
Decrease in payables from exchange transactions	21 562 499
	(4 656 589)
Statement of financial performance	
Decrease in general expenses	(193 411)
Decrease in government grants and subsidies	4 850 000
	4 656 589

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43. Prior period errors (continued)

43.10. Prior period error - Understatement of receivables from non-exchange transactions (sundry debtors)

During the period under review it was noted receivables from non-exchange transactions for amounts recoverable from retired employees for medical aid contributions was understated at 30 June 2019 and 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in receivables from non-exchange transactions	152 464
Decrease in payables from non-exchange transactions	24 000
Decrease in Vat receivable	(1 093)
Increase in accumulated surplus	(95 134)
	80 237

Statement of financial performance

Increase in revenue from non-exchange transactions	(80 237)
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43.11. Prior period error - Misstatement of cash and cash equivalents (bank account)

During the period under review it was noted that cash and cash equivalents was misstated at 30 June 2019 due to a large number of duplicated entries processed to the general ledger via the cashbook. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in cash and cash equivalents	25 655 013
Increase in payables from non-exchange transactions	(13 176 426)
Decrease in accumulated surplus	14 281 823
	26 760 410

Statement of financial performance

Decrease in general expenses	(11 085 054)
Increase in government grants and subsidies	(288 560)
Increase in revenue from exchange transactions	(12 948)
Decrease in employee related costs	(15 866 039)
Decrease in bulk purchases	(507 809)
	(27 760 410)

43.12. Prior period error - Investment property misstated due to the inclusion of incorrect properties

During the period under review it was noted that the investment property register was overstated due to the inclusion of properties over which the municipality has no claim to ownership at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in investment property	(2 612 290)
Decrease in accumulated surplus	2 688 206
	75 916

Statement of financial performance

Decrease in depreciation and amortisation	(75 916)
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43. Prior period errors (continued)

43.13. Prior period error - Heritage assets misstated due to exclusion of the Mayoral chain

During the period under review it was noted that the heritage asset register was understated due to the omission of the Mayoral chain at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in heritage assets	38 947
Increase in accumulated surplus	(38 947)
	-

43.14. Prior period error - Sundry debtors understated due to an uncleared suspense account

During the period under review it was noted that the heritage asset register was understated due to the omission of the Mayoral chain at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in receivables from non-exchange transactions	1 392 049
Increase in accumulated surplus	(1 392 049)
	-

43.15. Prior period error - Municipal buildings misstated due to the inclusion of incorrect properties

During the period under review it was noted that the municipal buildings register was misstated due to the inclusion of properties over which the municipality has no claim to ownership, furthermore certain buildings over which the municipality has ownership were omitted from the register at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in buildings	315 466
Increase in accumulated surplus	(409 278)
	(93 812)

Statement of financial performance

Increase in depreciation and amortisation	93 812
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43. Prior period errors (continued)

43.16. Prior period error - Community assets misstated due to the inclusion of incorrect properties

During the period under review it was noted that the community assets register was misstated due to the inclusion of properties over which the municipality has no claim to ownership, furthermore certain properties over which the municipality has ownership were omitted from the register at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in community assets	3 175 101
Increase in accumulated surplus	(3 504 065)
	(328 964)

Statement of financial performance

Increase in depreciation and amortisation	352 668
Decrease in loss on sale of assets	(23 704)
	328 964

43.17. Prior period error - Leased assets misstated due to the inclusion of an operating leased asset

During the period under review it was noted that the leased asset register was overstated due to the incorrect inclusion of an operating leased office machine at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in leased assets	(41 671)
Decrease in accumulated surplus	53 335
	11 664

Statement of financial performance

Decrease in depreciation and amortisation	(11 664)
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43.18. Prior period error - Overstatement of payables from exchange transactions - salary control

During the period under review it was noted that the salary control was overstated due the 30 June 2018 balance being incorrectly disclosed due to invalid bank transactions not being reversed, misposting of entries incorrectly to the salary control account. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease payables from exchange transactions	13 939 570
Decrease in VAT receivable	(4 833)
Increase in accumulated surplus	(12 861 979)
	1 072 758

Statement of financial performance

Decrease employee related costs	(1 813 035)
Increase in finance costs	799 783
Decrease in general expenses	(59 457)
Increase in other income	(49)
	(1 072 758)

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43. Prior period errors (continued)

43.19. Prior period error - Other assets misstated due to various omissions

During the period under review it was noted that the movable asset register was overstated due to the incorrect inclusion of of transport asset as well as various omissions at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in other assets	(834 677)
Decrease in accumulated surplus	1 180 908
	346 231

Statement of financial performance

Decrease in depreciation and amortisation	(354 324)
Increase in general expenses	8 093
	(346 231)

43.20. Prior period error - Correction of operational grant funding received FBDM

During the period under review it was noted that the operational grant funding received from Frances Baard District Municipality for the 2018 and 2019 financial years was misstated in the annual financial states for the year ended 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase receivables from non-exchange transactions	128 643
Decrease in vat receivable	(10 784)
Increase in accumulated surplus	(254 970)
	(137 111)

Statement of financial performance

Increase in government grants and subsidies	(521 888)
Increase in general expenses	658 999
	137 111

43.21. Prior period error - Misstatement of retention payables

During the period under review it was noted that retention's withheld on capital expenditure incurred in the 2019 financial year were not accounted for in the general ledger at 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in property, plant and equipment (work-in-progress)	4 071 354
Increase in VAT receivable	403 947
Increase in payables from exchange transactions	(4 452 281)
	23 020

Statement of financial performance

Decrease in general expenses	(23 020)
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43. Prior period errors (continued)

43.22. Prior period error - Misstatement of unspent conditional grants and receipts

During the period under review it was noted that unspent conditional grants and receipts was misstated due to various misallocations and incorrect accounting entries in the general ledger at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in unspent conditional grants and receipts	71 189
Increase in accumulated surplus	(279 035)
	<u>(207 846)</u>

Statement of financial performance

Decrease in government grants and subsidies	207 846
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43.23. Prior period error - Consumable inventory misstated

During the period under review it was noted that the consumable stores inventory was not adjusted to the actual stock on hand at 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in inventory	<u>(1 416 762)</u>
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Statement of financial performance

Increase in general expenses	1 416 762
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43.24. Prior period error - Landfill site assets misstated in the FAR

During the period under review it was noted that the landfill site asset register was misstated due to various errors at 30 June 2018. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in property, plant and equipment	12 732 125
Increase in accumulated surplus	(13 601 105)
	<u>(868 980)</u>

Statement of financial performance

Increase in depreciation and amortisation	868 980
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43. Prior period errors (continued)

43.25. Prior period error - Infrastructure assets misstated in the FAR

During the period under review it was noted that the infrastructure asset register was misstated due to various omissions and duplications at 30 June 2018 and 30 June 2019. The comparative statements for 2018/19 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in property, plant and equipment	(4 198 881)
Decrease in accumulated surplus	677 006
	(3 521 875)

Statement of financial performance

Increase in depreciation and amortisation	4 095 729
Decrease in impairment	(40 034)
Decrease losses on sale of assets	(533 820)
	3 521 875

44. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances and totals were misstated due to missmapping of various general ledger accounts. The error has since been rectified in the current year.

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassification on	After reclassification
Receivables from non-exchange transactions	18 270 858	2 159 909	20 430 767
Receivables from exchange transactions	56 190 414	(1 700 795)	54 489 619
Cash and cash equivalents	353 416	3 721 194	4 074 610
Property plant and equipment	638 074 548	(114 729)	637 959 819
Payables from exchange transactions	(172 189 414)	(4 048 372)	(176 237 786)
VAT receivable	77 346 230	(17 207)	77 329 023
Total	618 046 052	-	618 046 052

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44. Comparative figures (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Service charges	44 250 687	304 766	44 555 453
Other income	547 781	(59 126)	488 655
Interest received - investment	804 879	12 948	817 827
Property rates	10 129 112	(634 240)	9 494 872
Employee related costs	(60 173 946)	196 469	(59 977 477)
Remuneration of councillors	(4 271 176)	100 146	(4 171 030)
Finance costs	(13 351 519)	666 962	(12 684 557)
Lease rentals on operating lease	(840 763)	281 445	(559 318)
Bulk purchases	(35 673 957)	316 525	(35 357 432)
General expenses	(30 903 408)	(1 185 895)	(32 089 303)
Total	(89 482 310)	-	(89 482 310)

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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45. Risk management (continued)

At 30 June 2020

Payables from exchange transactions
 Consumer deposits
 Employee benefit obligation
 Unspent conditional grants and receipts
 Other financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
234 160 599	-	-	-	-
574 614	-	-	-	-
722 000	-	-	-	-
1 662 399	-	-	-	-
137 360	-	-	-	-
237 256 972	-	-	-	-

At 30 June 2019

Payables from exchange transactions
 Consumer deposits
 Employee benefits
 Unspent conditions grants and receipts
 Other financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
176 237 788	-	-	-	-
572 737	-	-	-	-
370 000	-	-	-	-
3 862 398	-	-	-	-
131 113	-	-	-	-
181 174 036	-	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, and therefore it is not exposed to interest rate risk.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

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45. Risk management (continued)

Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

46. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 628 156 476 and that the municipality's total liabilities exceed its assets by R 628 156 476.

We draw attention to the fact that at 30 June 2020, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent grants to be surrendered are cash backed as required.
3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding increased to 1995 days from (2019: 1847 days).
5. Electricity distribution losses (technical and non-technical) have increased to 36% (2019: 29%) and the water distribution losses has increased to 18% from (2019: 14%).
6. The municipality's current liabilities exceeds its current assets by R 46 581 708 (2018: R 15 449 437) which indicates a current ratio which is below the required norm of 1.5 - 2.
7. The municipality incurred a net surplus (deficit) for the year under review of R 34 018 323 (2019: deficit R 24 807 206), the major contributors to this change is increases impairments, finance costs, employee related costs.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

47. Events after the reporting date

The accounting officers are not aware of any matter or circumstances arising since the end of the financial year.

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48. Unauthorised expenditure		
Opening balance as previously reported	353 141 579	326 800 009
Opening balance as restated	353 141 579	326 800 009
Add: Expenditure identified - current	86 228 754	26 341 570
Less: Amount written off - prior period	(180 860 396)	-
Closing balance	258 509 937	353 141 579
Details of unauthorised expenditure – current year		
Overspending of budget - Vote 1	39 898 135	
	Disciplinary steps taken/criminal proceedings	
	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	
Overspending of budget - Vote 4	2 199 048	
	Disciplinary steps taken/criminal proceedings	
	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	
Overspending of budget - Vote 5	42 097 620	
	Disciplinary steps taken/criminal proceedings	
	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	
Overspending of budget - Vote 6	2 033 951	
	Disciplinary steps taken/criminal proceedings	
	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	
	86 228 754	
Details of unauthorised expenditure - prior year		
Overspending of budget - Vote 3	4 108 162	
	Disciplinary steps taken/criminal proceedings	
	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	
Overspending of budget - Vote 5	22 233 408	
	Disciplinary steps taken/criminal proceedings	
	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	
	26 341 570	
49. Fruitless and wasteful expenditure		
Opening balance as previously reported	33 940 823	22 726 408
Opening balance as restated	33 940 823	22 726 408
Add: Expenditure identified - current	11 891 150	11 214 415
Less: Amount written off - prior period	(21 794 435)	-
Closing balance	24 037 538	33 940 823

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49. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure – current year

Interest on late payment of suppliers	Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	11 542 570
Interest on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	330 013
Interest on late payment - VAT	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	4 488
Interest on late payment - third parties	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	14 079
		11 891 150

Details of fruitless and wasteful expenditure - prior year

Interest on late payment of suppliers	Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	10 394 075
Interest on late payment - SARS PAYE	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	799 762
Interest on late payment - third parties	Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	20 578
		11 214 415

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50. Irregular expenditure

Opening balance	167 160 799	159 940 463
Add: Irregular Expenditure - current year	1 361 859	7 220 336
Opening balance as restated	168 522 658	167 160 799
Closing balance	168 522 658	167 160 799

Details of irregular expenditure – current year

Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations	Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	1 361 859
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Details of irregular expenditure - prior year

Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations	Disciplinary steps taken/criminal proceedings Management is initiating an investigation in to the nature and completeness of the Unauthorised expenditure as disclosed and as required in the MFMA.	7 220 336
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51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	855 112	609 860
Current year subscription / fee	830 378	686 312
Amount paid - previous years	(855 112)	(441 060)
	830 378	855 112

Material losses

Electricity distribution losses (KWh)

KWh purchased	19 089 688	19 169 306
KWh sold	(12 172 366)	(13 518 401)
	6 917 322	5 650 905

% losses

36 29

Average cost per KWh unit

1,45 1,27

Loss in Rand value

10 054 823 **7 169 068**

Water distribution losses (Mega litres)

Mega litres purchased	1 147 473	1 220 304
Mega litres sold	(945 685)	(1 045 364)
	201 788	174 940

% losses

18 14

Average cost per unit

5,67 5,59

Loss in Rand value

1 143 332 **978 512**

Audit fees

Opening balance	2 932 279	834 968
Current year subscription / fee	3 322 925	3 609 474
Amount paid - current year	-	(677 195)
Amount paid - previous years	(1 210 717)	(834 968)
	5 044 487	2 932 279

PAYE and UIF

Opening balance	699 344	2 589 187
Current year subscription / fee	8 948 988	8 757 359
Amount paid - current year	(8 004 332)	(8 058 015)
Amount paid - previous years	(699 344)	(2 589 187)
	944 656	699 344

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	-	1 241 506
Current year subscription / fee	16 609 507	15 580 005
Amount paid - current year	(15 206 194)	(15 580 005)
Amount paid - previous years	-	(1 241 506)
	1 403 313	-

VAT

VAT	84 405 615	77 329 023
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VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MP Chupologo	489	1 263	1 752
MA Mahutie	809	-	809
E Makoko	2 653	82 193	84 846
T Saul	1 791	47 188	48 979
MM Bezuindenhou	1 938	8 039	9 977
PS Combrink	2 082	49 674	51 756
DM Macinga	646	7 476	8 122
KE Motshabi	349	19 295	19 644
DP Papers	799	35 653	36 452
	11 556	250 781	262 337

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MA Mahutie	2 585	16 006	18 591
E Makoko	2 598	69 372	71 970
T Saul	1 630	40 354	41 984
MM Bezuindenhou	2 641	1 849	4 490
PS Combrink	1 838	41 637	43 475
DM Macinga	331	6 297	6 628
KE Motshabi	4 615	12 943	17 558
DP Papers	7 740	21 366	29 106
	23 978	209 824	233 802

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52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Reason for deviation	Less than R	Between R	Between R
	30 000	001 and R 100	100 001 and R 2 000 000
Sole provider	39 063	39 934	-
Emergency	529 042	996 390	825 061
Other	650 785	926 079	-
	1 218 890	1 962 403	825 061

53. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 15% will be explained on the annual financial statements for the year ended 30 June 2020.

X1: The municipality expected the electricity tariffs increase to have an impact on the consumption.

X2: Variance insignificant as below 15%.

X3: Management did not anticipate that there would be a pandemic that will after the performance of companies.

X4: Commission is no budgeted for.

X5: Variance insignificant as below 15%.

X6: Other income is difficult to predict as it is based on the frequency of unpredictable events.

X7: Due to funds being kept in investment accounts longer than expected.

X8: Implementation of new valuation roll with lower markets values than previously valued.

X9: Licences and permits is difficult to predict as it is based on the frequency of unpredictable events.

X10: Variance insignificant as below 15%.

X11: Fines penalties is difficult to predict as it is based on the frequency of unpredictable events.

X12: Variance insignificant as below 15%.

X13: Variance insignificant as below 15%.

X14: Difference due to prior year adjustment to FAR.

X15: Management did not have enough information of budget for impairment of assets.

X16: Management did not consider interest on outstanding creditors when budgeting.

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53. Budget differences (continued)

X17: Lease rentals were budgeted for as part of general expenses.

X18: Management only acquired the services of the expert at year end to assist with calculation of impairment, the not budgeted for appropriately.

X19: Due to increase in electricity tariffs.

X20: Management has implemented cost cutting measures.

X21: Expert calculations provided at year therefore not budgeted for.

X22: Expert calculations provided at year therefore not budgeted for.

X23: Opening balance adjustment to inventory, prior year adjustment not considered.

X24: Management did not take into account impairment on budgeted figure.

X25: VAT not budgeted for.

X26: Management did not take into account impairment on budgeted figure.

X27: Management had expected to improve collection and have more money in the bank.

X28: Variance insignificant as below 15%.

X29: Variance insignificant as below 15%.

X30: Management did not take into account amortisation in budgeted figure.

X31: Share future value is difficult to predict as it is based on future economic events.

X32: Budget in long term portion.

X33: Variance insignificant as below 15%.

X34: Variance insignificant as below 15%.

X35: Budget in long term portion.

X36: Management anticipated that all conditional grants would be spent in full at year.

X37: Repayment not considered and taken into account on budgeted figure.

X38: Expert calculation performed at year end.

X39: Engineers only requested to provide service at year end.

APPENDIX A - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2019	Correction of Error	Balance at 30 JUNE 2019 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2020
ANNUITY LOANS									
Development Bank of South Africa	5.00%	102336/2	2027/08/31	1 149 307	-	1 163 621	54 971	(171 740)	1 046 852
Total Annuity Loans				1 149 307	-	1 163 621	54 971	(171 740)	1 046 852
FINANCE LEASES									
Total Finance Leases				-	-	-	-	-	-
TOTAL EXTERNAL LOANS				1 149 307	-	1 163 621	54 971	(171 740)	1 046 852

**APPENDIX B - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020**

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2020

Reconciliation of Carrying Value		Opening Balance R	Additions R	Cost Transfers R	Disposals	Closing Balance R	Accumulated Impairment	Opening Balance R	Depreciation Charge R	Accumulated Depreciation and Impairment Losses			Carrying Value R
										Impairment R	Disposals R	Closing Balance R	
Buildings		26 502 917	-	-	-	26 502 917	-	16 501 164	854 560	606 227	-	18 816 512	7 686 405
Housing		-	-	-	-	-	-	-	-	-	-	-	-
Operational Buildings		26 502 917	-	-	-	26 502 917	-	17 355 725	854 560	606 227	-	18 816 512	7 686 405
Infrastructure		844 708 686	28 000 078	-	-1 706 897	871 001 867	-	271 646 449	21 058 792	407 165	-976 468	292 135 938	578 865 929
Electrical Infrastructure		60 220 876	-	61 141	-66 837	60 215 179	-	22 217 217	2 496 076	-	-47 268	24 666 024	35 549 155
Roads Infrastructure		413 522 184	-	-	-	413 522 184	-	142 364 347	12 040 762	8 757	-	154 413 866	259 108 318
Sanitation Infrastructure		84 585 054	-	4 763 331	-1 518 565	87 829 820	-	29 345 150	1 890 272	211 369	-821 935	30 624 857	57 204 963
Storm water infrastructure		43 057 773	-	-	-	43 057 773	-	22 886 160	963 441	-	-	23 849 602	19 208 171
Water Supply Infrastructure		133 560 018	-	2 791 234	-121 495	136 229 758	-	54 833 574	3 668 240	187 038	-107 265	58 581 588	77 648 170
Capital work in progress		109 762 781	28 000 078	-7 615 707	-	130 147 152	-	-	-	-	-	-	130 147 152
Community Assets		76 745 485	-	-	-	76 745 485	-	40 765 051	1 580 195	2 925 187	-	45 270 433	31 475 052
Community Facilities		54 482 165	-	-	-	54 482 165	-	28 694 815	1 053 342	2 261 189	-	32 009 345	22 472 819
Recreational Facilities		22 263 321	-	-	-	22 263 321	-	12 070 236	526 853	663 998	-	13 261 088	9 002 233
Land		-	-	-	-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-	-	-	-
Other Assets		18 043 603	200 995	-	-	18 244 598	-	11 994 370	1 059 637	86 311	-	13 140 318	5 104 281
EMERGENCY EQUIPMENT		31 073	-	-	-	31 073	-	19 815	3 144	4	-	22 963	8 110
FURNITURE AND FITTINGS		2 237 844	17 266	-	-	2 255 110	-	1 853 901	120 194	7 445	-	1 981 541	273 569
MOTOR VEHICLES		9 740 221	-	-	-	9 740 221	-	5 713 906	486 067	39 632	-	6 239 604	3 500 616
OFFICE EQUIPMENT		3 890 714	183 729	-	-	4 074 443	-	2 887 680	290 836	5 860	-	3 184 376	890 067
PLANT AND EQUIPMENT		2 143 752	-	-	-	2 143 752	-	1 519 067	159 396	33 370	-	1 711 833	431 919
		966 000 692	28 201 073	-	-1 706 897	992 494 867	-	340 907 035	24 553 184	4 024 889	-976 468	369 363 200	623 131 667

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2019

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation and Impairment Losses				Carrying Value		
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Impairment	Disposals/Transfers	Closing Balance	R	
Buildings	26 502 917	-	-	-	26 502 917	-	16 501 164	854 560	-	17 355 725	9 147 192	
Housing	-	-	-	-	-	-	-	-	-	-	-	
Operational Buildings	26 502 917	-	-	-	26 502 917	-	16 501 164	854 560	-	17 355 725	9 147 192	
Infrastructure	811 215 560	33 193 126	-	-	844 708 686	-	250 626 801	21 019 647	-	271 646 449	573 062 237	
Electrical Infrastructure	60 220 876	-	-	-	60 220 876	-	19 719 416	2 497 801	-	22 217 217	38 003 658	
Roads Infrastructure	413 522 184	-	-	-	413 522 184	-	130 323 585	12 040 762	-	142 364 347	271 157 836	
Sanitation Infrastructure	84 494 988	-	90 066	-	84 585 054	-	27 456 882	1 888 268	-	29 345 150	55 239 904	
Storm water infrastructure	43 057 773	-	-	-	43 057 773	-	21 922 719	963 441	-	22 886 160	20 171 612	
Water Supply Infrastructure	133 560 018	-	-	-	133 560 018	-	51 204 199	3 629 375	-	54 833 574	78 726 444	
Capital work in progress	76 659 721	33 193 126	-90 066	-	109 762 781	-	-	-	-	-	109 762 781	
Community Assets	76 745 485	-	-	-	76 745 485	-	39 184 856	1 580 195	-	40 765 051	35 980 434	
Community Facilities	54 482 165	-	-	-	54 482 165	-	27 641 473	1 053 342	-	28 694 815	25 787 350	
Recreational Facilities	22 263 321	-	-	-	22 263 321	-	11 543 383	526 853	-	12 070 236	10 193 084	
Land	-	-	-	-	-	-	-	-	-	-	-	
Land	-	-	-	-	-	-	-	-	-	-	-	
Other Assets	17 987 433	56 170	-	-	18 043 603	-	10 342 389	1 560 836	91 145	-	11 994 370	6 049 233
EMERGENCY EQUIPMENT	31 073	-	-	-	31 073	-	17 376	2 439	-	19 815	11 258	
FURNITURE AND FITTINGS	2 237 844	-	-	-	2 237 844	-	1 733 830	120 072	-	1 853 901	383 942	
MOTOR VEHICLES	9 740 221	-	-	-	9 740 221	-	4 856 313	766 448	91 145	5 713 906	4 026 314	
OFFICE EQUIPMENT	3 834 544	56 170	-	-	3 890 714	-	2 404 024	483 656	-	2 887 680	1 003 034	
PLANT AND EQUIPMENT	2 143 752	-	-	-	2 143 752	-	1 330 846	188 221	-	1 519 067	624 685	
	932 751 395	33 249 296	-	-	966 000 692	-	316 655 211	25 015 239	91 145	-	341 761 595	624 239 096

APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATION

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
681 597	-6 559 705	-5 878 107	ADMINISTRATION	892 414	-7 569 307	-6 676 893
11 064 332	-11 692 331	-627 999	ASSESSMENT RATES	9 344 948	-9 933 695	-588 747
140 575 292	-7 237 592	133 337 700	BILLING SECTION	153 116 770	-5 297 782	147 818 988
111 088	-607 690	-496 602	BUDGET & TREASURY OFFICE	68 422	-411 489	-343 067
-	-521 131	-521 131	BUILDING & MAINTENANCE SECTION	-	-1 030 053	-1 030 053
26 908	-1 113 187	-1 086 280	CEMETERIES SECTION	32 154	-1 206 399	-1 174 245
-	-1 029 593	-1 029 593	CORPORATE SERVICE MANAGER	-	-1 443 604	-1 443 604
-	-6 256 009	-6 256 009	COUNCIL GENERAL	-	-5 387 882	-5 387 882
-	-1 269 493	-1 269 493	CUSTOMER CALL & OPERATIONS CEN	-	-1 378 868	-1 378 868
13 931 602	-33 387 255	-19 455 653	ELECTRICITY - BARKLY WEST	14 367 288	-40 974 811	-26 607 523
-	-800 440	-800 440	ELECTRICITY - DELPORTSHOOP	-	-175 695	-175 695
-	-3 477 230	-3 477 230	EXPENDITURE SECTION	-	-3 355 735	-3 355 735
1 608 248	-71 032 387	-69 424 140	FINANCE MANAGEMENT	878 063	-73 453 835	-72 575 772
-	-	-	HEALTH,ENVIRONMENT&DISASTER MAN	-	-	-
-	-271 479	-271 479	HOUSING SECTION	-	-229 942	-229 942
-	-967 262	-967 262	HUMAN RESOURCE MANAGEMENT	-	-968 196	-968 196
-	-676 161	-676 161	INTERNS	-	-452 232	-452 232
1 777	-1 795 973	-1 794 196	LIBRARIES	1 913	-1 729 454	-1 727 541
-	-1 241 376	-1 241 376	MAYOR SUPPORT OFFICE	-	-1 757 911	-1 757 911
-	-	-	OFFICE OF THE MAYOR	-	-261 533	-261 533
-	-1 282 225	-1 282 225	OFFICE OF THE MUNICIPAL MANAGE	-	-779 274	-779 274
-	-3 631 727	-3 631 727	PLANNING & DEVELOPMENT	-	-4 326 270	-4 326 270
9 573 487	-14 272 408	-4 698 921	REFUSE REMOVAL - BARKLY WEST	10 395 033	-22 049 768	-11 654 735
-	-4 356 694	-4 356 694	REFUSE REMOVAL - DELPORTSHOOP	-	-1 356 581	-1 356 581
-	-1 959 417	-1 959 417	REFUSE REMOVAL - WINDSORTON	-	-1 070 580	-1 070 580
-	-551 808	-551 808	ROADS & PARKS SECTION	-	-596 190	-596 190
-	-990 518	-990 518	SENIOR ACCOUNTANT	-	-961 890	-961 890
3 414 941	-4 477 678	-1 062 737	SEWERAGE - BARKLY WEST	3 209 155	-6 975 528	-3 766 374
-	-696	-696	SEWERAGE - DELPORTSHOOP	-	-	-
78 744	-1 304	77 441	SEWERAGE - WINDSORTON	1 853	-	1 853
-	-301 150	-301 150	SPORTS , ARTS & CULTURE	-	-622 047	-622 047
1 081 279	-6 829 287	-5 748 008	TECHNICAL MANAGEMENT	2 520 698	-4 329 221	-1 808 522
1 084 000	-12 064	1 071 936	TECHNICAL SERV. BARKLEY WEST	-	-	-
-	-138 081	-138 081	TECHNICIAN	-	-	-
-	-	-	TRAFFIC	-	-	-
-	-3 022	-3 022	TRAINING AND DEVELOPMENT	9	-268 618	-268 609
22 692 356	-36 306 670	-13 614 313	WATER SERV. BARKLY WEST	22 993 997	-50 399 983	-27 405 987
-	-2 292 831	-2 292 831	WATER SERV. DELPORTSHOOP	-	-427 325	-427 325
-	-3 388 976	-3 388 976	WATER SERV. WINDSORTON	-	-659 345	-659 345
205 925 651	(230 732 849)	(24 807 198)	Sub Total	217 822 718	(251 841 042)	(34 018 323)
-	-	-		-	-	-
205 925 651	(230 732 849)	(24 807 198)	Total	217 822 718	(251 841 042)	(34 018 323)

**APPENDIX D - UNAUDITED
DIKGATLONG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2019	Correction of Error	Balance 1 JULY 2019	Grants Received	Forfeited to National Revenue Fund	Transferred to Funds to be Surrendered	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2020	Unspent 30 JUNE 2020 (Creditor)	Unpaid 30 JUNE 2020 (Debtor)
National Government Grants											
Equitable Share											
Local Government Financial Management Grant	-	-	-	81 417 000	(3 690 084)	-	85 107 084	-	-	-	-
Water Services Infrastructure Grants (WSIG and RBIG)	-	-	3 690 085	2 880 000	-	3 690 084	2 880 000	-	-	1	-
Municipal Infrastructure Grant	3 690 085	-	3 690 085	-	25 714 000	-	-	24 646 689	1 067 311	1	-
Municipal Disaster Relief Grant	-	-	-	119 000	-	-	-	-	119 000	-	-
National Electrification Programme (INEP)	-	470	-	1 500 000	-	-	-	1 497 499	2 971	2 971	-
Expanded Public Works Program (EPWP)	-	-	-	1 000 000	-	-	1 000 000	-	-	-	-
Total National Government Grants	3 690 555	-	3 690 555	112 630 000	-	-	88 987 084	26 144 188	1 189 283	1 189 283	-
Provincial Government Grants											
Library Grant	62 426	-	62 426	1 020 000	-	-	892 415	-	190 011	190 011	-
Local Government Sector and Training Authority Grant	109 417	-	109 417	178 823	-	-	5 135	-	283 105	283 105	-
Total Provincial Government Grants	171 843	-	171 843	1 198 823	-	-	897 550	-	473 116	473 116	-
District Municipality Grants											
FBDM Grant	-	-	-	3 478 914	-	-	1 974 563	1 504 351	-	-	-
Total District Municipality Grants	-	-	-	3 478 914	-	-	1 974 563	1 504 351	-	-	-
Total	3 862 398	-	3 862 398	117 307 737	-	-	91 859 197	27 648 539	1 662 399	1 662 399	-